

UNIVERSITY OF NORTH FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2014



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(2) Faculty association president (equivalent to faculty senate chair referred to in Section 1001.71(1), Florida Statutes).

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Donald Hemmingway, CPA, and the audit was supervised by Randy R. Arend, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

UNIVERSITY OF NORTH FLORIDA
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether the University of North Florida and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective actions for findings included in our report No. 2014-155.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2015-136.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR’S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of North Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units’ columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of North Florida and of its aggregate discretely presented component units as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of North Florida's basic financial statements. The accompanying **SCHEDULES OF RECEIPTS AND EXPENDITURES OF CITY OF JACKSONVILLE GRANT FUNDS – BUDGET AND ACTUAL**, as listed in the table of contents, are presented for purposes of additional analysis as required by the Ordinance Code of the City of Jacksonville, Section 118, Part 2, and are not a required part of the basic financial statements.

The **SCHEDULES OF RECEIPTS AND EXPENDITURES OF CITY OF JACKSONVILLE GRANT FUNDS – BUDGET AND ACTUAL** are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULES OF RECEIPTS AND EXPENDITURES OF CITY OF JACKSONVILLE GRANT FUNDS – BUDGET AND ACTUAL** are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the University of North Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of North Florida's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 13, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2014, and June 30, 2013.

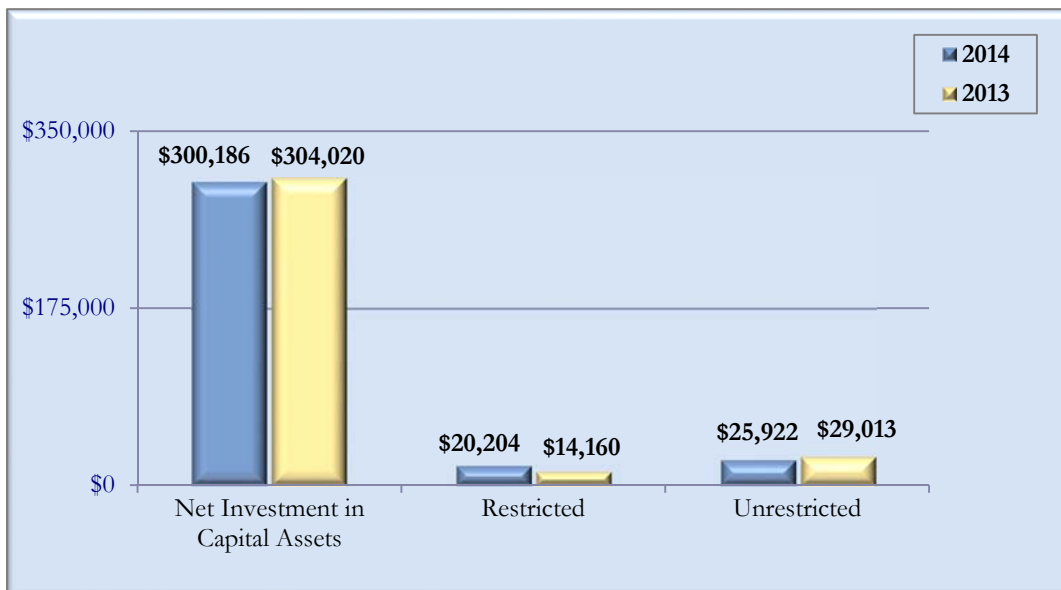
FINANCIAL HIGHLIGHTS

The University’s assets totaled \$549.9 million at June 30, 2014. This balance reflects a \$2.9 million, or 0.5 percent, increase as compared to the 2012-13 fiscal year. Liabilities increased by \$3.8 million, or 1.9 percent, totaling \$203.6 million at June 30, 2014, as compared to \$199.8 million at June 30, 2013. As a result, the University’s net position decreased by \$0.9 million, resulting in a year-end balance of \$346.3 million.

The University’s operating revenues totaled \$114 million for the 2013-14 fiscal year, representing a 3.2 percent increase over the 2012-13 fiscal year due mainly to increases in revenues from net student tuition and fees and sales and services of auxiliary enterprises. Operating expenses totaled \$237.3 million for the 2013-14 fiscal year, representing an increase of 2.9 percent over the 2012-13 fiscal year due mainly to an increase in compensation and employee benefits expense.

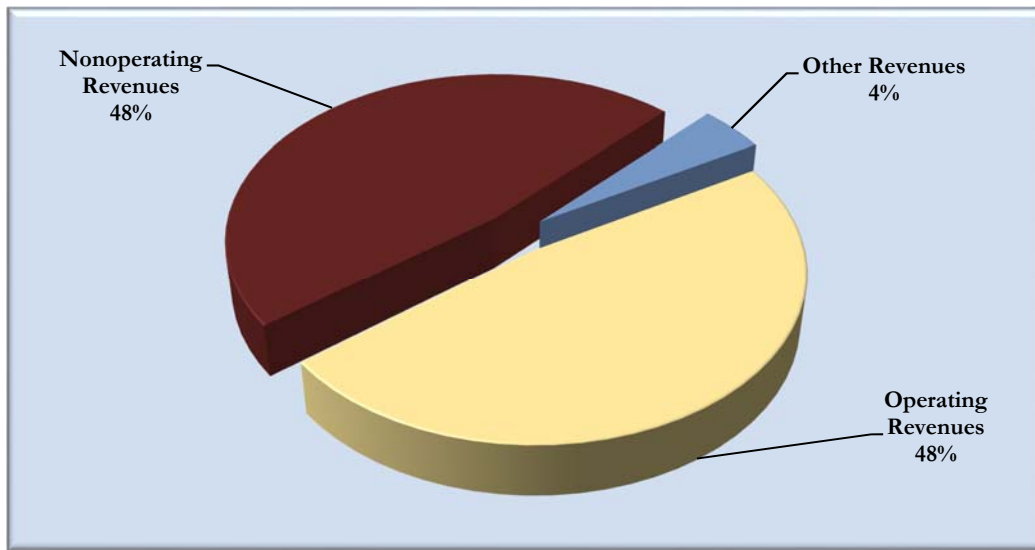
Net position represents the residual interest in the University’s assets after deducting liabilities. The University’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2013-14 fiscal year:

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University’s financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- University of North Florida Financing Corporation (Financing Corporation)
- University of North Florida Foundation, Inc. (Foundation)
- The University of North Florida Training and Service Institute, Inc. (TSI)
- Museum of Contemporary Art Jacksonville, Inc. (MOCA)

Based upon the application of the criteria for determining component units, the Financing Corporation is included within the University reporting entity as a blended component unit, and the Foundation, the TSI, and MOCA are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the blended and discretely presented component units’ separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. MD&A information for the discretely presented component units is included in their separately issued audit reports.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, less liabilities, equals net position, which is one indicator of the University’s current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University’s financial condition.

The following summarizes the University's assets, liabilities, and net position at June 30:

Condensed Statement of Net Position at June 30
(In Thousands)

	2014	2013
Assets		
Current Assets	\$ 90,907	\$ 82,781
Capital Assets, Net	448,181	451,325
Other Noncurrent Assets	10,843	12,881
Total Assets	549,931	546,987
Liabilities		
Current Liabilities	20,102	19,005
Noncurrent Liabilities	183,517	180,789
Total Liabilities	203,619	199,794
Net Position		
Net Investment in Capital Assets	300,186	304,020
Restricted	20,204	14,160
Unrestricted	25,922	29,013
Total Net Position	\$ 346,312	\$ 347,193

The University's financial position, as a whole, declined slightly during the fiscal year ended June 30, 2014, with a decrease in net position of \$0.9 million, or 0.3 percent, from the 2012-13 fiscal year.

The University's total assets increased by \$2.9 million during the 2013-14 fiscal year, which consisted of an \$8.1 million increase in current assets, offset by a \$3.1 million decrease in capital assets and a \$2 million decrease in other noncurrent assets. Current assets increased, mainly as the result of a \$5.8 million increase in due from the State for construction projects. The decrease in noncurrent assets was primarily from expensing deferred bond issuance costs for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The University's total liabilities increased by \$3.8 million, which consisted of a \$1.1 million increase in current liabilities and a \$2.7 million increase in noncurrent liabilities. The increase in total liabilities resulted primarily from a \$5.2 million increase in other postemployment benefits payable and the issuance of a \$2.7 million note payable for the acquisition of a warehouse facility, offset by a \$3.7 million decrease in capital asset-related debt resulting from scheduled debt payments made during the 2013-14 fiscal year.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2013-14 and 2012-13 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years
(In Thousands)**

	2013-14	2012-13
Operating Revenues	\$ 113,984	\$ 110,474
Less, Operating Expenses	<u>237,316</u>	<u>230,729</u>
Operating Loss	(123,332)	(120,255)
Net Nonoperating Revenues	<u>113,500</u>	<u>100,645</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(9,832)	(19,610)
Other Revenues	<u>10,571</u>	<u>1,664</u>
Net Increase (Decrease) In Net Position	<u>739</u>	<u>(17,946)</u>
Net Position, Beginning of Year	347,193	365,139
Adjustment to Beginning Net Position (1)	<u>(1,620)</u>	<u></u>
Net Position, Beginning of Year, as Restated	<u>345,573</u>	<u>365,139</u>
Net Position, End of Year	<u>\$ 346,312</u>	<u>\$ 347,193</u>

Note: (1) Adjustment to beginning net position resulting from implementation of GASB Statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred. See note 2 to the financial statements.

Operating Revenues

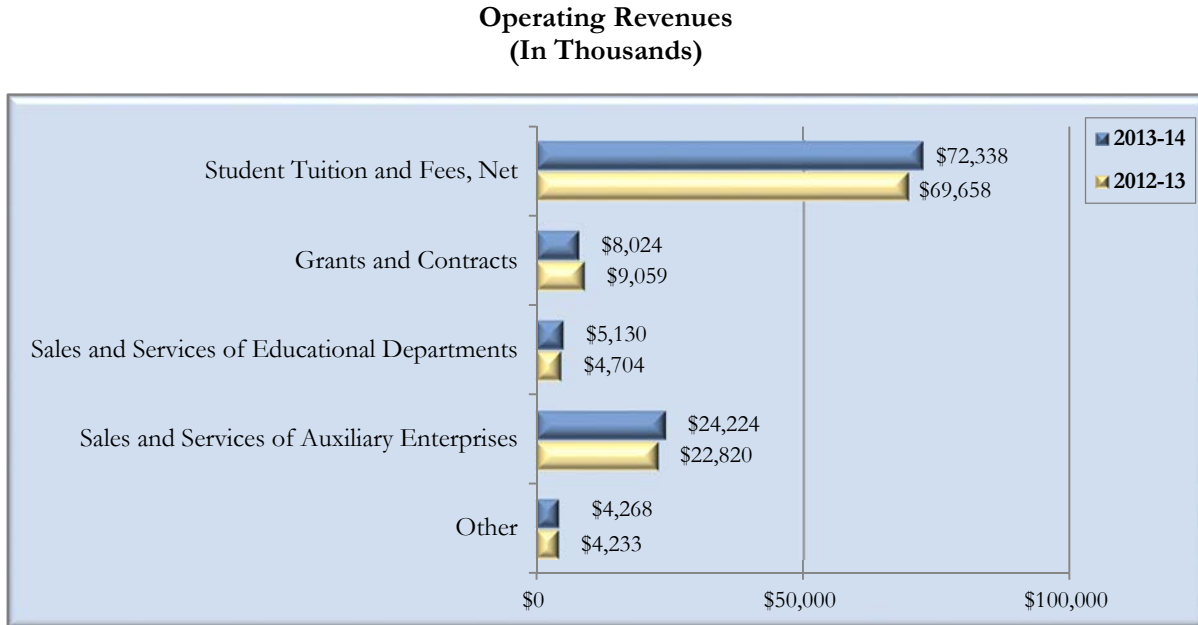
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. Operating revenues generally consist of student tuition and fees, grants and contracts, and auxiliary service revenues from students and others to provide them with instruction and other goods and services.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

**Operating Revenues
For the Fiscal Years
(In Thousands)**

	2013-14	2012-13
Student Tuition and Fees, Net	\$ 72,338	\$ 69,658
Grants and Contracts	8,024	9,059
Sales and Services of Educational Departments	5,130	4,704
Sales and Services of Auxiliary Enterprises	24,224	22,820
Other	<u>4,268</u>	<u>4,233</u>
Total Operating Revenues	<u>\$ 113,984</u>	<u>\$ 110,474</u>

The following chart presents the University’s operating revenues for the 2013-14 and 2012-13 fiscal years:



University total operating revenues increased by \$3.5 million, mainly as a result of a \$2.7 million increase in student tuition and fees, net of scholarship allowances, due primarily to an increase in tuition rates.

Operating Expenses

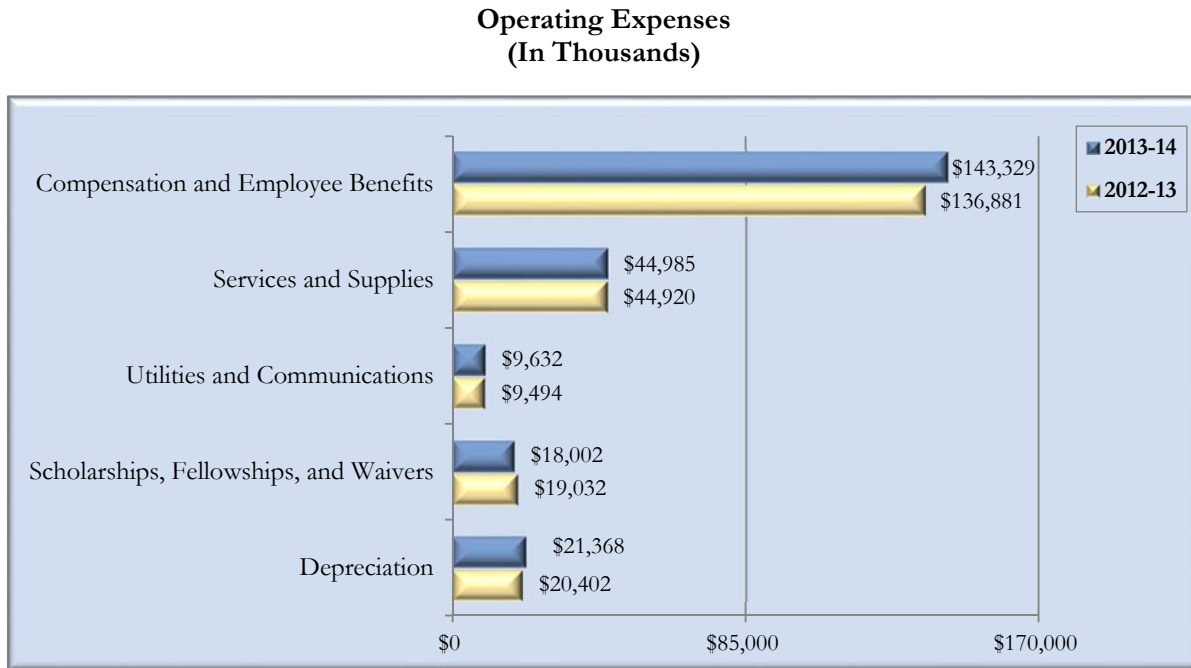
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2013-14 and 2012-13 fiscal years:

**Operating Expenses
For the Fiscal Years
(In Thousands)**

	2013-14	2012-13
Compensation and Employee Benefits	\$ 143,329	\$ 136,881
Services and Supplies	44,985	44,920
Utilities and Communications	9,632	9,494
Scholarships, Fellowships, and Waivers	18,002	19,032
Depreciation	21,368	20,402
Total Operating Expenses	\$ 237,316	\$ 230,729

The following chart presents the University’s operating expenses for the 2013-14 and 2012-13 fiscal years:



The University’s overall operating expenses increased by \$6.6 million, or 2.9 percent, primarily as a result of a \$6.4 million increase in compensation and employee benefits due mainly to increases in salaries and retirement benefits from a 2 percent across the board salary increase, payment of discretionary one-time employee bonuses, and an increase in the retirement system contribution rates.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University’s nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:

**Nonoperating Revenues (Expenses)
For the Fiscal Years
(In Thousands)**

	2013-14	2012-13
State Noncapital Appropriations	\$ 81,046	\$ 66,345
Federal and State Student Financial Aid	31,827	33,585
Investment Income	1,668	1,522
Other Nonoperating Revenues	9,628	8,886
Loss on Disposal of Capital Assets	(113)	(55)
Interest on Capital Asset-Related Debt	(6,899)	(6,531)
Other Nonoperating Expenses	(3,657)	(3,107)
Net Nonoperating Revenues	\$ 113,500	\$ 100,645

Net nonoperating revenue increased by \$12.9 million, or 12.8 percent, primarily due to an increase of \$14.7 million in State noncapital appropriations partially offset by a decrease of \$1.8 million in Federal and State student financial aid.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

Other Revenues, Expenses, Gains, or Losses For the Fiscal Years (In Thousands)		
	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 9,157	\$
Capital Grants, Contracts, Donations, and Fees	1,414	1,664
Total	\$ 10,571	\$ 1,664

Other revenues expenses, gains, or losses increased by \$8.9 million primarily as a result of a \$9.2 million increase in State capital appropriations.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows For the Fiscal Years (In Thousands)		
	<u>2013-14</u>	<u>2012-13</u>
Cash Provided (Used) by:		
Operating Activities	\$ (97,105)	\$ (92,412)
Noncapital Financing Activities	118,029	105,066
Capital and Related Financing Activities	(21,195)	(24,922)
Investing Activities	1,832	11,265
Net Increase (Decrease) in Cash and Cash Equivalents	1,561	(1,003)
Cash and Cash Equivalents, Beginning of Year	187	1,190
Cash and Cash Equivalents, End of Year	\$ 1,748	\$ 187

Major sources of cash from operating activities are from net student tuition and fees of \$72.9 million; Federal, State, and local grants and contracts of \$7.6 million; and sales and services of auxiliary enterprises of \$23.9 million. Major uses of operating cash were payments made to and on behalf of employees totaling \$138.4 million; payments to suppliers totaling \$54.3 million; and payments to and on behalf of students for scholarships totaling \$18 million. The

increase in cash used by operating activities was due primarily to increases in payments to employees of \$7.6 million, offset by an increase in net student tuition and fees receipts of \$3.6 million, as compared to the prior fiscal year.

Major sources of cash from noncapital financing activities are from State noncapital appropriations of \$81 million; Federal and State student financial aid of \$31.8 million; and Federal direct loan program receipts of \$58.9 million. The major use of cash was Federal direct loan program disbursements of \$58.9 million. The increase in cash provided by noncapital financing activities resulted primarily from an increase in State noncapital appropriations receipts of \$14.7 million.

Cash used by capital and related financing activities was \$21.2 million, primarily comprised of \$15.3 million paid for purchase or construction of capital assets, \$3.5 million of principal paid on capital debt and leases, and \$6.9 million of interest paid on capital debt and leases, offset by receipts of State capital appropriations of \$3.3 million.

Cash provided by investing activities was \$1.8 million from the net sales and maturities of investments and investment income.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the University had \$679.7 million in capital assets, less accumulated depreciation of \$231.5 million, for net capital assets of \$448.2 million. Depreciation charges for the current fiscal year totaled \$21.4 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30 (In Thousands)

	2014	2013
Land	\$ 13,463	\$ 12,863
Construction in Progress	12,497	4,418
Buildings	381,386	391,381
Infrastructure and Other Improvements	25,358	25,951
Furniture and Equipment	8,251	8,929
Library Resources	4,416	5,882
Property Under Capital Lease and Leasehold Improvements	1,213	194
Computer Software	1,597	1,707
Capital Assets, Net	\$ 448,181	\$ 451,325

Additional information about the University's capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2014, were incurred for the Club House and Pool Facility and the Elevated Parking Deck projects. Major capital construction commitments included \$7.7 million for the Elevated Parking Deck, \$3.9 million for the Skinner Jones Hall Renovation, \$2.8 million for the East Park Warehouse Renovations, and \$2.7 million for repurposing the Aquatics Center. The University's total construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	\$30,771
Completed to Date	<u>12,497</u>
Balance Committed	<u>\$18,274</u>

Additional information about the University's construction commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2014, the University had \$148 million in outstanding bonds payable, capital improvement debt payable, a note payable, and a capital lease payable, representing a decrease of \$0.9 million, or 0.6 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

	Long-Term Debt, at June 30 (In Thousands)	
	<u>2014</u>	<u>2013</u>
Bonds Payable	\$ 130,951	\$ 134,019
Capital Improvement Debt Payable	14,427	14,856
Note Payable	2,583	
Capital Lease Payable	<u>34</u>	<u>50</u>
Total	<u>\$ 147,995</u>	<u>\$ 148,925</u>

Additional information about the University's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The University's State funding increased by \$10.4 million to \$101.2 million for the 2014-15 fiscal year. The increase in State funding was primarily from an \$8.6 million increase in State capital outlay funding. The Legislative budget adopted for the 2014-15 fiscal year provided the University with \$66.8 million from State noncapital appropriations, \$14 million in State capital appropriations (\$11.7 million for renovation of Skinner Jones Hall, \$1.1 million for critical deferred maintenance, and \$1.2 million for minor projects), \$12.8 from lottery, \$7.4 million from performance funding, and \$0.2 from State student financial aid. The \$7.4 million appropriation for performance funding is from a new performance-based funding formula, which bases performance on a set of academic performance metrics designed by the Florida Board of Governors rather than the number of enrolled students that was previously used. Under the new performance-based system, the University can earn points for each metric that translate into additional dollars, although failure to meet the metrics could result in funding cuts. The University's 2014-15 fiscal year budget also provided for no increase in tuition rates, and the University's Board of Trustees approved a salary increase of 4 percent effective September 27, 2014.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administration and Finance, University of North Florida, 1 UNF Drive, Hicks Hall, Suite 2200, Jacksonville, Florida 32224-2648.

BASIC FINANCIAL STATEMENTS

**UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014**

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,176,398.62	\$ 632,180.00
Investments	75,224,113.94	
Accounts Receivable, Net	6,900,783.00	311,950.00
Loan Receivable from Component Unit	50,000.00	
Pledges Receivable, Net		999,760.00
Due from State	7,310,906.14	
Inventories	243,527.25	49,177.00
Other Current Assets	800.00	129,095.00
Total Current Assets	<u>90,906,528.95</u>	<u>2,122,162.00</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	571,929.88	3,053,767.00
Investments		1,160,263.00
Restricted Investments	9,846,187.86	99,729,296.00
Loan Receivable from Component Unit	425,000.00	
Loans and Notes Receivable, Net		5,153,819.00
Pledges Receivable, Net		1,766,693.00
Depreciable Capital Assets, Net	422,220,713.36	14,431,774.00
Nondepreciable Capital Assets	25,960,600.41	3,307,556.00
Other Noncurrent Assets		595,784.00
Total Noncurrent Assets	<u>459,024,431.51</u>	<u>129,198,952.00</u>
Total Assets	<u>549,930,960.46</u>	<u>131,321,114.00</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,263,865.48	562,904.00
Construction Contracts Payable	1,638,222.43	
Salaries and Wages Payable	1,755,158.33	
Deposits Payable	5,052,772.60	
Unearned Revenue	702,950.00	265,755.00
Accrued Interest Payable	1,149,940.56	
Other Current Liabilities		730,099.00
Long-Term Liabilities - Current Portion:		
Bonds Payable	3,590,000.00	
Capital Improvement Debt Payable	435,000.00	
Loans and Notes Payable	247,973.92	1,417,086.00
Loan Payable to University		50,000.00
Capital Lease Payable	16,565.77	
Compensated Absences Payable	1,250,038.05	95,598.00
Total Current Liabilities	<u>20,102,487.14</u>	<u>3,121,442.00</u>

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 127,361,536.24	\$
Capital Improvement Debt Payable	13,991,859.12	
Loans and Notes Payable	2,334,787.71	13,391,368.00
Loan Payable to University		425,000.00
Capital Lease Payable	17,648.07	
Compensated Absences Payable	11,250,342.41	277,301.00
Other Postemployment Benefits Payable	24,193,000.00	
Unearned Revenue	4,367,500.00	
Other Noncurrent Liabilities		163,765.00
	183,516,673.55	14,257,434.00
Total Noncurrent Liabilities		
	203,619,160.69	17,378,876.00
NET POSITION		
Net Investment in Capital Assets	300,185,942.94	3,354,655.00
Restricted for Nonexpendable:		
Endowment		95,550,629.00
Other		289,741.00
Restricted for Expendable:		
Debt Service	9,752,550.32	
Capital Projects	7,014,057.62	
Other	3,436,931.11	14,596,450.00
Unrestricted	25,922,317.78	150,763.00
	\$ 346,311,799.77	\$ 113,942,238.00

The accompanying notes to financial statements are an integral part of this statement.

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$31,438,790.72 (\$1,683,814.36 Pledged for the Student Union Revenue Bonds and \$1,288,413.17 Pledged for the Student Wellness Center Revenue Bonds)	\$ 72,337,976.87	\$
Federal Grants and Contracts	5,157,748.35	
State and Local Grants and Contracts	1,122,426.46	
Nongovernmental Grants and Contracts	1,743,679.58	
Sales and Services of Educational Departments	5,130,557.34	
Sales and Services of Auxiliary Enterprises (\$17,926,658.71 Pledged for Housing Facility Revenue Bonds and \$3,387,493.45 Pledged for the Parking System Revenue Bonds)	24,223,992.58	
Other Operating Revenues	4,268,123.54	13,564,133.00
Total Operating Revenues	113,984,504.72	13,564,133.00
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	143,328,568.45	778,407.00
Services and Supplies	44,985,456.42	15,862,972.00
Utilities and Communications	9,632,258.50	
Scholarships, Fellowships, and Waivers	18,002,278.05	
Depreciation	21,367,720.77	868,380.00
Total Operating Expenses	237,316,282.19	17,509,759.00
Operating Loss	(123,331,777.47)	(3,945,626.00)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	81,046,261.00	
Federal and State Student Financial Aid	31,826,955.50	
Investment Income	1,668,200.34	12,053,353.00
Other Nonoperating Revenues	9,628,501.25	
Loss on Disposal of Capital Assets	(113,260.64)	
Interest on Capital Asset-Related Debt	(6,899,293.40)	(1,038,014.00)
Other Nonoperating Expenses	(3,657,109.28)	(8,500.00)
Net Nonoperating Revenues	113,500,254.77	11,006,839.00
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(9,831,522.70)	7,061,213.00
State Capital Appropriations	9,157,056.20	
Capital Grants, Contracts, Donations, and Fees	1,413,073.47	
Additions to Permanent Endowments		4,228,671.00
Increase in Net Position	738,606.97	11,289,884.00
Net Position, Beginning of Year	347,192,657.51	102,652,354.00
Adjustment to Beginning Net Position	(1,619,464.71)	
Net Position, Beginning of Year, as Restated	345,573,192.80	102,652,354.00
Net Position, End of Year	\$ 346,311,799.77	\$ 113,942,238.00

The accompanying notes to financial statements are an integral part of this statement.

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 72,872,942.42
Grants and Contracts	7,566,761.08
Sales and Services of Educational Departments	5,130,557.34
Sales and Services of Auxiliary Enterprises	23,922,160.57
Payments to Employees	(138,351,330.45)
Payments to Suppliers for Goods and Services	(54,340,113.31)
Payments to Students for Scholarships and Fellowships	(18,002,278.05)
Other Operating Receipts	4,096,823.30
	(97,104,477.10)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	81,046,261.00
Federal and State Student Financial Aid	31,826,955.50
Federal Direct Loan Program Receipts	58,941,153.00
Federal Direct Loan Program Disbursements	(58,941,153.00)
Net Change in Funds Held for Others	524,130.40
Other Nonoperating Receipts	4,631,956.75
	118,029,303.65
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	3,337,526.86
Capital Grants, Contracts, Donations, and Fees	1,165,566.94
Proceeds from Sale of Capital Assets	31,850.00
Purchase or Construction of Capital Assets	(15,291,230.49)
Principal Paid on Capital Debt and Leases	(3,517,703.22)
Interest Paid on Capital Debt and Leases	(6,921,074.58)
	(21,195,064.49)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	138,315,470.90
Purchase of Investments	(137,794,289.31)
Investment Income	1,310,772.82
	1,831,954.41
Net Increase in Cash and Cash Equivalents	1,561,716.47
Cash and Cash Equivalents, Beginning of Year	186,612.03
	\$ 1,748,328.50
Cash and Cash Equivalents, End of Year	\$ 1,748,328.50

**UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014**

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (123,331,777.47)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	21,367,720.77
Change in Assets and Liabilities:	
Receivables, Net	125,122.30
Inventories	(28,927.72)
Loan Receivable from Component Unit	25,000.00
Other Assets	4,854.19
Accounts Payable	471,808.47
Deposits Payable	(14,281.13)
Compensated Absences Payable	(265,762.00)
Unearned Revenue	(531,101.18)
Other Liabilities	(170,133.33)
Other Postemployment Benefits Payable	5,243,000.00
NET CASH USED BY OPERATING ACTIVITIES	\$ (97,104,477.10)

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
CAPITAL FINANCING ACTIVITIES**

A note payable related to the acquisition of capital assets was recognized on the statement of net position, but is not a cash transaction for the statement of cash flows.	\$ (2,724,915.00)
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 357,427.52
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (113,260.64)
Donations of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 233,732.62

The accompanying notes to financial statements are an integral part of this statement.

**UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Although it is legally separate from the University, the University of North Florida Financing Corporation (Financing Corporation) is included within the University's reporting entity as a blended component unit. The Financing Corporation was created in October 2005 as a not-for-profit entity organized to receive, hold, invest, and administer property and to issue revenue bonds or other forms of indebtedness (finance or refinance capital projects) with the associated expenditures and debt service, exclusively for the University. An annual audit of the Financing Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Financing Corporation, including copies of its audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

**UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

- University of North Florida Foundation, Inc. (Foundation), solicits, invests, administers, and distributes private gifts for the funding of activities and facilities directly related to the mission, role, and scope of the University. This organization provides funding and services to support and foster the pursuit of higher education at the University. Although the Foundation is chartered as a private not-for-profit corporation, it operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.
- The University of North Florida Training and Service Institute, Inc. (TSI), conducts, accounts for, and reports on special educational and training programs and related specialized activities. TSI was organized for the purpose of providing training and service to assist the University in achieving excellence by providing supplemental resources from external sources and to provide valuable educational support services. In March 2010, the TSI Board of Directors met and approved the formation of UNF TSI Investments, LLC, as a wholly-owned Florida limited liability corporation.
- Museum of Contemporary Art Jacksonville, Inc. (MOCA), operates a museum of contemporary art which also provides visual arts education and cultural resources to the University in furtherance of its mission and operations, and the University may add its own educational and outreach programs. MOCA serves the community and its visitors through exhibitions, collections, educational programs, and publications designed to enhance an understanding and appreciation of modern and contemporary art with particular emphasis of works created from 1960 to the present.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

➤ Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, cash in demand accounts, and money market funds. University cash deposits are held in banks qualified as public depositories under Florida

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The University and its blended component unit, the Financing Corporation, hold \$1,451,837 in money market funds which are permissible under the University's investment policy and were rated AAAM/Aaa-mf by Standard & Poor's and Moody's Investors Service, respectively. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Capital Assets. University capital assets consist of land; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; property under capital lease and leasehold improvements, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property and \$100,000 for new buildings and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 40 years
- Infrastructure and Other Improvements – 5 to 20 years
- Furniture and Equipment:
 - Equipment (Nonoffice) – 5 to 15 years
 - Computer Equipment – 2 to 10 years
 - Moveable Equipment – 3 to 20 years
- Library Resources – 5 to 10 years
- Property Under Capital Lease and Leasehold Improvements – 5 to 15 years
- Computer Software – 5 to 15 years

The University capitalizes interest on new construction during the construction period. Interest is capitalized using an interest rate which is equivalent to the average borrowing rate on the University's long-term debt issued for the assets to be constructed.

Capital assets of the University's discretely presented component units, if applicable, are recorded at cost. Donated items are stated at independent appraisal or estimated value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, as follows:

- Buildings – 25 years
- Leasehold Improvements – 5 to 20 years
- Furniture and Equipment – 3 to 10 years

**UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Interest cost incurred on borrowed funds will be expensed as incurred for capital additions not related to construction.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, capital improvement debt payable, note payable, capital lease payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year. Bonds and capital improvement debt payable are reported net of unamortized premiums. The University amortizes debt premiums over the life of the debt using the straight-line method.

2. ADJUSTMENT TO BEGINNING NET POSITION

The beginning net position of the University was decreased by \$1,619,464.71 due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized to be expensed when incurred. Previously deferred bond issuance costs totaled \$1,619,464.71.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University’s Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University’s Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University’s investments at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Treasury Special Purpose Investment Account	\$ 3,782,364.68
SBA Fund B Surplus Funds Trust Fund	474,117.16
United States Government Obligations	23,605,267.96
Federal Agency Obligations	16,541,964.59
Bonds and Notes	<u>40,666,587.41</u>
Total University Investments	<u>\$ 85,070,301.80</u>

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

State Treasury Special Purpose Investment Account. The University reported investments at fair value totaling \$3,782,364.68 at June 30, 2014, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years and fair value factor of 1.0074 at June 30, 2014. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Fund B Surplus Funds Trust Fund. The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the University reported investments at fair value of \$474,117.16 in Fund B. The University's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

Other Investments. The University's other investments (which include those of its blended component unit, the Financing Corporation) consisted of various debt securities totaling \$80,813,819.96 at June 30, 2014. The following risks apply to those University investments:

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The University's investment policy generally requires that the investment portfolio be maintained with short-term maturities to provide sufficient liquidity to pay obligations as they come due, based on anticipated cash-flow requirements, and includes certain restrictions on specific investment durations up to a maximum of five years. The Financing Corporation does not have a written investment policy, although the bond documents provide that funds may be invested in authorized investments provided that the investments mature or are redeemable at not less than par on or before the date the funds are estimated to be needed. Investments maturities at June 30, 2014, were as follows:

**UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
U.S. Government Obligations	\$ 23,605,267.96	\$	\$ 23,605,267.96	\$
Federal Agency Obligations	16,541,964.59	1,193,896.60	15,252,062.85	96,005.14
Bonds and Notes	40,666,587.41	1,834,411.55	38,832,175.86	
Total	\$ 80,813,819.96	\$ 3,028,308.15	\$ 77,689,506.67	\$ 96,005.14

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2014, the University had \$23,605,267.96 of these investments. The University’s investment policy requires that the portfolio provide specific types of investments that may be purchased, including credit quality guidelines, where applicable, and maintain a total average quality rating of “AA” or higher. The Financing Corporation is authorized to invest in obligations permitted by law. At June 30, 2014, the University and the Financing Corporation had Federal Agency Obligations and bonds and notes with quality ratings by nationally recognized rating agencies, as follows:

Investment Type	Fair Value	Credit Quality Rating (1)			
		AAA/Aaa	AA/Aa	A	BBB+
Obligations	\$ 16,541,964.59	\$ 16,541,964.59	\$	\$	\$
Bonds and Notes	40,666,587.41	1,500,659.63	12,076,606.32	26,406,569.40	682,752.06
Total	\$ 57,208,552.00	\$ 18,042,624.22	\$ 12,076,606.32	\$ 26,406,569.40	\$ 682,752.06

Note: (1) The credit quality ratings are from Standard & Poor's and Moody's Investors Service.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the entity and are not registered in the entity’s name. All University investments are held in safekeeping by a third-party custodian. The Financing Corporation’s investments are held by a trustee in accordance with applicable bond financing documents.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University policy states that a maximum of 5 percent of the Fund may be invested in securities of any single issuer, except that United States Government and Federal Agency Obligations are not subject to the limitations. The Financing Corporation’s applicable bond financing documents do not address concentration of credit risk.

**UNIVERSITY OF NORTH FLORIDA
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Discretely Presented Component Units Investments

Investments held by the University's discretely presented component units are reported at fair value and consist of United States government and Federal agency securities, corporate bonds, hedge funds, private equity funds, various mutual funds holding domestic and foreign debt, equities, and real estate, and money market funds.

The Foundation reported investments totaling \$99,729,296. The Foundation's investment policy states equity securities will be broadly diversified (e.g., country, economic sector, industry, etc.) to minimize the impact during sudden and severe market downturns, as equity markets have historically displayed a high degree of such correlation during these periods. The role of hedge funds and private equity is to reduce the overall volatility of the equity fund performance. Fixed-income securities will be diversified among different sectors of the fixed-income market. The principal purpose of the fixed-income fund will be to reduce risk by reducing the overall volatility of the investment returns and to serve as a partial hedge against periods of prolonged economic contraction. The fixed-income objective is to preserve principal during periods of deflation, provide a source of current income, and reduce overall portfolio volatility. These portfolios are primarily domestically focused, but do include exposure to international and emerging markets' debt as well. Decisions as to individual security selection, security size and quality, etc., will be left to broad manager discretion.

As of June 30, 2014, the Foundation had 89 percent (\$88,301,980) of its total portfolio invested in global equities and fixed-income funds, private equity funds, and an absolute return fund. The fund's investments are subject to various risk factors including market, credit, custodial credit risk, and currency risk, which are discussed in the following paragraphs. Additional information is contained in the Foundation's audit reports for the years ended June 30, 2014, and June 30, 2013, and may be obtained from the Director, University of North Florida TSI/Foundation Accounting, Hicks Hall, Suite 2900, 1 UNF Drive, Jacksonville, Florida 32224-2648.

The TSI, reported investments totaling \$457,449. The TSI's investment policy requires equity securities to be limited to investments in publicly traded securities on a major stock exchange or NASDAQ, with no more than 7 percent of the market value of an investment manager's equity portfolio invested in the shares of a single corporate issuer, and no more than 5 percent of the market value of the total equity portfolio invested in shares of companies that have been publicly traded for less than one year. For fixed-income securities, the investment policy provides that securities be rated "A" or higher by Moody's Investors Service or Standard & Poor's rating services; no more than 10 percent of the market value of the total-fixed-income portfolio be invested in the securities of any single corporate issuer; no more than 20 percent of the market value of the total fixed-income portfolio be invested in Collateralized Mortgage Obligations (CMOs) and are restricted to those issues that are currently paying interest, receiving principal pay-downs, and do not contain leverage; and no more than 25 percent of the total fixed-income portfolio be invested in securities issued by foreign governments or corporations. There is no limit on investments in securities issued directly by the United States Government or any agency or instrumentality thereof. The TSI's investment policy prohibits investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, real estate, venture capital, futures contracts, or options contracts in individually managed portfolios. Trading on margin and short

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selling are also prohibited. The TSI does not have a formal policy limiting the duration of mid-term and long-term investments.

MOCA reported investments totaling \$702,814. MOCA’s investments consist of money market funds, fixed-income mutual funds, and equity mutual funds.

On January 28, 1991, MOCA entered into a trust agreement with the State of Florida, Department of State, creating a \$600,000 fine arts endowment matching fund program. In managing the investments of the fine arts endowment fund, MOCA must comply with an established investment plan specified by the State of Florida, Department of State, which requires the preservation of the \$600,000 program fund. MOCA may expend funds generated from the endowment program fund only for operating costs incurred while engaged in programs directly related to fine arts activities. In accordance with the policy of the MOCA’s Board, MOCA received a spending allocation of \$38,000 from the fine arts endowment fund during the 2013-14 fiscal year. The spending allocation is determined by MOCA’s Board within the range of 3 to 5 percent of the average fair value of the endowed investments for the prior year and is to be utilized for unrestricted purposes. The endowment fund had a balance of \$624,667 at June 30, 2013, reported income of \$80,262, the spending allocation expense of \$38,000, and had a balance of \$666,929 at June 30, 2014, which is included in MOCA’s investment total reported above.

The estimated fair value of the Foundation, TSI, and MOCA investments was based on valuations provided by external investment managers at June 30, 2014, and consisted of the following:

<u>Investment Type</u>	<u>Amount</u>
United States Government Bonds and Federal Agency Securities	\$ 4,758,163
Corporate Bonds	2,660,434
Real Estate Mutual Funds	27,589
Fixed-Income Mutual Funds	410,546
Equity Mutual Funds	2,175,792
Absolute Return Fund	12,331,250
Global Equities Fund	44,813,731
Global Fixed-Income Fund	6,087,355
Hedge Funds	226,624
Private Equity Funds	25,069,644
Real Assets Fund	2,286,159
Money Market Funds	42,272
Total Foundation, TSI, and MOCA Investments	<u>\$ 100,889,559</u>

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Foundation, the TSI, and MOCA do not have formal investments policies that limit the duration of investments. However, the University component units manage exposure to declines in fair value occurring from increasing interest rates through the specific identification method and maintaining diversification of investments and investment maturities so as to minimize the impact of downturns in the market. Investments of these component units by investment type and their future maturities at June 30, 2014, are as follows:

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Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
Foundation				
United States Government and Federal Agencies	\$ 4,758,163	\$ 425,771	\$ 4,332,392	\$
Global Fixed-Income fund (1)	6,087,355			
Corporate Bonds	2,660,434	152,801	2,507,633	
Fixed-Income Mutual Funds	253,630			253,630
Total	\$ 13,759,582	\$ 578,572	\$ 6,840,025	\$ 253,630
TSI				
Fixed-Income Mutual Funds	\$ 156,916	\$	\$	\$ 156,916

Note: (1) Investment maturity information was not available for this investment type.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation and MOCA have no formal investment policies on credit risk. The TSI's investment policy provides that fixed-income securities shall be rated "A" or higher by Moody's Investors Service or Standard & Poor's rating services. At June 30, 2014, the credit quality ratings of the component units' investments are as follows:

Investment Type	Fair Value	Credit Quality Rating (1)			
		AAA	AA	A	Unrated
United States Government and Federal Agency Securities	\$ 4,758,163	\$ 1,868,151	\$ 275,583	\$ 2,614,429	\$
Corporate Bonds	2,660,434		582,019	2,078,415	
Fixed-Income Mutual Funds	410,546			156,916	253,630
Equity Mutual Funds	2,175,792				2,175,792
Real Estate Mutual Funds	27,589				27,589
Absolute Return Fund	12,331,250				12,331,250
Global Equities Fund	44,813,731				44,813,731
Global Fixed-Income Fund	6,087,355				6,087,355
Hedge Funds	226,624				226,624
Private Equity Funds	25,069,644				25,069,644
Real Assets Fund	2,286,159				2,286,159
Money Market Funds	42,272				42,272
Total Foundation, TSI, and MOCA Investments	\$ 100,889,559	\$ 1,868,151	\$ 857,602	\$ 4,849,760	\$ 93,314,046

Note: (1) The credit quality ratings are from Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the University or its component units and are not registered in the University's or its component units' name. The Foundation, the TSI, and MOCA do not have formal investment policies that address custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation's investment policy provides that with the exception of obligations of the U.S. Government and its agencies, no purchase will be made that will cause more than 5 percent of the

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fixed-income fund to be invested in the securities of any one issuer. The TSI’s investment policy provides for investments in equity securities of not more than 7 percent (at cost) in one corporate issuer, and investments in fixed-income securities of not more than 10 percent (at cost) in one corporate issuer. MOCA does not have a formal investment policy that addresses concentration of credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The TSI’s investment policy limits its investments in fixed-income securities of foreign issuers to 25 percent of its fixed-income portfolio. The TSI does not have a formal investment policy that addresses foreign currency risk for other types of investments. The Foundation and MOCA do not have formal investment policies that address foreign currency risk.

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, student housing rentals, contract and grant reimbursements due from third parties, student deferments, and other amounts due from students or third parties. As of June 30, 2014, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 4,586,209.95
Contracts and Grants	879,344.59
Student Housing Rentals	570,201.80
Other	865,026.66
Total Accounts Receivable	\$ 6,900,783.00

Allowance for Doubtful Receivables. Allowances for doubtful accounts are reported based on management’s best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of \$142,570.01 at June 30, 2014.

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

Loan Receivable from Component Unit. At June 30, 2014, the University had a loan receivable from the MOCA, as shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
MOCA - Line of Credit	\$ 500,000	\$	\$ 25,000	\$ 475,000	\$ 50,000

In April 2009, the University’s Board of Trustees authorized providing a revolving line of credit to MOCA for up to \$500,000, without interest except upon an event of default. MOCA repaid \$25,000 in the 2013-14 fiscal year, and plans to repay \$50,000 per year beginning with the 2014-15 fiscal year.

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Component Units' Pledges Receivable, Net. The Foundation and MOCA account for their pledges in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 establishes reporting standards for nonexchange transactions, which in the case of the Foundation and MOCA are restricted pledges to be contributed in the future. Pledges receivable are reported at estimated net realizable value, and reported in current and long-term portions, net of appropriate allowances and present value discounts of \$158,488 for the Foundation and \$329 for MOCA.

5. DUE FROM STATE

This amount consists of \$7,310,906.14 of Public Education Capital Outlay and Capital Improvement Fee Trust Fund allocations due from the State for construction of University facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 12,863,268.61	\$ 600,000.00	\$	\$ 13,463,268.61
Construction in Progress	4,417,634.55	13,180,121.62	5,100,424.37	12,497,331.80
Total Nondepreciable Capital Assets	\$ 17,280,903.16	\$ 13,780,121.62	\$ 5,100,424.37	\$ 25,960,600.41
Depreciable Capital Assets:				
Buildings	\$ 525,577,189.92	\$ 4,381,501.52	\$	\$ 529,958,691.44
Infrastructure and Other Improvements	44,040,057.81	1,788,364.51		45,828,422.32
Furniture and Equipment	25,977,075.54	1,904,491.52	547,545.96	27,334,021.10
Library Resources	39,750,315.55	80,747.28		39,831,062.83
Property Under Capital Lease and Leasehold Improvements	225,706.54	1,055,473.34		1,281,179.88
Computer Software	9,098,047.92	446,538.72		9,544,586.64
Total Depreciable Capital Assets	644,668,393.28	9,657,116.89	547,545.96	653,777,964.21
Less, Accumulated Depreciation:				
Buildings	134,196,427.38	14,376,433.07		148,572,860.45
Infrastructure and Other Improvements	18,089,498.41	2,380,715.99		20,470,214.40
Furniture and Equipment	17,047,602.02	2,469,312.74	434,285.32	19,082,629.44
Library Resources	33,868,103.85	1,547,372.74		35,415,476.59
Property Under Capital Lease and Leasehold Improvements	30,886.76	37,862.76		68,749.52
Computer Software	7,391,296.98	556,023.47		7,947,320.45
Total Accumulated Depreciation	210,623,815.40	21,367,720.77	434,285.32	231,557,250.85
Total Depreciable Capital Assets, Net	\$ 434,044,577.88	\$(11,710,603.88)	\$ 113,260.64	\$ 422,220,713.36

Combined capital assets activity for the University's discretely presented component units for the fiscal year ended June 30, 2014, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,307,556	\$	\$	\$ 3,307,556
Total Nondepreciable Capital Assets	\$ 3,307,556	\$	\$	\$ 3,307,556
Depreciable Capital Assets:				
Buildings	\$ 14,100,634	\$	\$	\$ 14,100,634
Leasehold Improvements	5,951,106			5,951,106
Furniture and Equipment	521,605	4,769		526,374
Total Depreciable Capital Assets	20,573,345	4,769		20,578,114
Less, Accumulated Depreciation:				
Buildings	1,786,079	564,025		2,350,104
Leasehold Improvements	2,976,991	300,884		3,277,875
Furniture and Equipment	514,890	3,471		518,361
Total Accumulated Depreciation	5,277,960	868,380		6,146,340
Total Depreciable Capital Assets, Net	\$ 15,295,385	\$ 863,611	\$	\$ 14,431,774

7. UNEARNED REVENUE

Unearned revenue includes funds received prior to fiscal year-end for which the earnings process will be completed in subsequent accounting periods. As of June 30, 2014, the University reported unearned revenue of \$5,070,450, of which \$4,800,000 pertains to funding received under the terms of an agreement with the University’s contracted food service provider towards construction of a new dining facility. The agreement provides that as long as the food service provider enjoys full access to and use of the dining facility through June 30, 2022, the University can amortize the funds and recognize revenue over the ten-year period beginning July 1, 2012. However, the University is required to repay the unamortized portion of these funds to the food service provider if the agreement is not renewed or is terminated prior to June 30, 2022.

8. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2014, include bonds payable, capital improvement debt payable, a note payable, a capital lease payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 134,018,776.92	\$	\$ 3,067,240.68	\$ 130,951,536.24	\$ 3,590,000.00
Capital Improvement Debt Payable	14,856,227.32		429,368.20	14,426,859.12	435,000.00
Note Payable		2,724,915.00	142,153.37	2,582,761.63	247,973.92
Capital Lease Payable	49,763.69		15,549.85	34,213.84	16,565.77
Compensated Absences Payable	12,766,142.46	1,033,974.79	1,299,736.79	12,500,380.46	1,250,038.05
Other Postemployment Benefits Payable	18,950,000.00	5,882,000.00	639,000.00	24,193,000.00	
Total Long-Term Liabilities	\$ 180,640,910.39	\$ 9,640,889.79	\$ 5,593,048.89	\$ 184,688,751.29	\$ 5,539,577.74

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Bonds Payable. The University had the following bonds payable outstanding at June 30, 2014:

Bond Type and Series	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Capital Improvement Revenue Bonds:				
Student Union Project, Series 2007	\$ 21,235,000.00	\$ 19,275,000.00	4.125 - 5.000	11-01-2037
Housing Project, Series 2007	111,185,000.00	101,750,000.00	5.00	11-01-2037
Parking System, Series 1998, Remarketed	<u>9,600,000.00</u>	<u>7,000,000.00</u>	(1)	05-01-2028
Total Capital Improvement Revenue Bonds	142,020,000.00	128,025,000.00		
Add: Unamortized Bond Premiums		<u>2,926,536.24</u>		
Total Capital Improvement Revenue Bonds Payable	<u>\$ 142,020,000.00</u>	<u>\$ 130,951,536.24</u>		

Note: (1) The Parking System, Series 1998, Remarketed Bonds have a variable interest rate, which was 0.047586 percent as of June 30, 2014.

During the 2006-07 fiscal year, Student Union Project and Student Housing Project bonds were issued by the Financing Corporation. These bonds were issued to: (1) finance the acquisition, construction, and equipping of a student union and housing facilities; (2) acquire existing housing facilities from the Foundation, and refund the existing debt on housing facilities; (3) purchase reserve products (bond insurance); (4) pay capitalized interest; and (5) pay the costs of issuance of the Series 2007 bonds.

As a condition of the financing arrangements, the University entered into Ground Sublease and Operating Lease Agreements, dated June 1, 2007, with the Financing Corporation. Under the Ground Sublease Agreements, the University leased the land and facilities to the Financing Corporation in exchange for prepaid rent of \$90.5 million (the net proceeds of the bonds available for construction). The land covered by the Ground Sublease Agreements, together with the improvements thereon, was leased back to the University to manage and operate under the separate Operating Lease Agreements. The Operating Lease Agreements require that the University pay all debt payments, including principal, interest, fees, and charges over the lease term in accordance with the related bond documents (base rent), and all other operating costs of the premises (additional rent). The agreements terminate on November 1, 2037, or the date on which the bonds are fully paid or cancelled. Net revenues from the student residence facilities are pledged to pay the Student Housing project rents, and a portion of the University’s activity and service fees revenues are pledged to pay the student union project rents. As principal payments are made on the Student Housing and Student Union Projects bonds, the prepaid rent is amortized and, as shown in note 14, the University reported remaining prepaid rent payable to the Financing Corporation of \$80,139,899.97 at June 30, 2014.

Pursuant to applicable bond covenants, during the 2007-08 fiscal year, the University elected to fund the reserve requirement for the Capital Improvement Revenue Bonds, Series 2007, Housing and Student Union Projects, after the firm that issued the reserve products (bond insurance) had its credit rating downgraded by Standard & Poor’s and Moody’s Investors Service to below A. The \$9,613,000 provided by the University, along with interest earnings, is reported as noncurrent restricted investments and net assets restricted for debt service on the University’s statement of net position.

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On September 4, 2007, the Parking Bonds originally issued by the Foundation, along with the related operating ground leases, were assigned to and subsequently remarketed by the Financing Corporation. Parking System bonds are collateralized by the revenue stream from the University parking system. The interest rate is a variable rate not to exceed 12 percent and was 0.047586 percent at June 30, 2014. Interest payments are made monthly and principal is payable annually through May 1, 2028.

Annual requirements to amortize all bonds payable outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,590,000.00	\$ 5,956,790.40	\$ 9,546,790.40
2016	4,170,000.00	5,791,511.85	9,961,511.85
2017	4,355,000.00	5,607,261.42	9,962,261.42
2018	4,550,000.00	5,413,685.99	9,963,685.99
2019	4,750,000.00	5,210,085.56	9,960,085.56
2020-2024	27,240,000.00	22,565,780.68	49,805,780.68
2025-2029	27,985,000.00	16,048,254.30	44,033,254.30
2030-2034	26,455,000.00	9,549,375.00	36,004,375.00
2035-2038	24,930,000.00	2,570,500.00	27,500,500.00
Subtotal	128,025,000.00	78,713,245.20	206,738,245.20
Add: Unamortized Bond Premiums	2,926,536.24		2,926,536.24
Total	<u>\$ 130,951,536.24</u>	<u>\$ 78,713,245.20</u>	<u>\$ 209,664,781.44</u>

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2014:

<u>Capital Improvement Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding (1)</u>	<u>Interest Rates (Percent) (2)</u>	<u>Maturity Date To</u>
Capital Improvement Debt				
2010A - Student Wellness Center	\$ 2,575,000.00	\$ 1,366,859.12	3.00	11-10-2016
2010B - Student Wellness Center	13,060,000.00	13,060,000.00	4.00 - 7.50	11-01-2035
Total Capital Improvement Debt	<u>\$ 15,635,000.00</u>	<u>\$ 14,426,859.12</u>		

Notes: (1) Amount outstanding includes unamortized discounts and premiums.

(2) Interest payments on the Series 2010A Bonds are tax-exempt to the bondholders, while interest payments on the 2010B Bonds are taxable.

On December 30, 2010, the Board of Governors, issued \$15,635,000 of University of North Florida Mandatory Student Fee Revenue Bonds (\$13,060,000 Series 2010B Build America Bonds and \$2,575,000 Series 2010A Tax-Exempt Bonds) to finance the construction of a Student Wellness Center on campus and to pay costs of issuance.

The University has pledged a portion of future Student Wellness Center fees to repay \$14,426,859.12 in capital improvement bonds issued by the Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct the Student Wellness Center. The bonds are payable solely from Student

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Wellness Center fee assessments and are payable through November 1, 2035. The University has committed to appropriate each year from the Student Wellness Center fee assessment amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$26,991,434.12, and principal and interest paid for the current year totaled \$1,325,950.00. During the 2013-14 fiscal year, Student Wellness Center fee assessments totaled \$1,167,743.58, while interest subsidies received for the bonds totaled \$292,208.18.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 435,000.00	\$ 893,125.00	\$ 1,328,125.00
2016	450,000.00	879,850.00	1,329,850.00
2017	460,000.00	866,200.00	1,326,200.00
2018	475,000.00	849,800.00	1,324,800.00
2019	490,000.00	829,275.00	1,319,275.00
2020-2024	2,705,000.00	3,742,125.00	6,447,125.00
2025-2029	3,300,000.00	2,826,487.50	6,126,487.50
2030-2034	4,135,000.00	1,529,400.00	5,664,400.00
2035-2036	1,955,000.00	148,312.50	2,103,312.50
Subtotal	14,405,000.00	12,564,575.00	26,969,575.00
Add: Unamortized Bond Premiums	21,859.12		21,859.12
Total	\$ 14,426,859.12	\$ 12,564,575.00	\$ 26,991,434.12

Note Payable. In November 2013, the Financing Corporation purchased a 67,224 square foot warehouse on a parcel of land adjacent to the University and entered into a loan agreement for \$2,794,915 with a fixed interest rate of 2.32 percent. Principal and interest payments of \$25,505.82 are made monthly over the ten-year term of the note.

Annual requirements to amortize the outstanding note as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 247,973.92	\$ 58,095.92	\$ 306,069.84
2016	253,729.65	52,340.19	306,069.84
2017	259,903.16	46,166.68	306,069.84
2018	266,082.97	39,986.87	306,069.84
2019	272,409.77	33,660.07	306,069.84
2020-2024	1,282,662.16	69,135.32	1,351,797.48
Total	\$ 2,582,761.63	\$ 299,385.05	\$ 2,882,146.68

Capital Lease Payable. The University entered into a capital lease agreement to acquire an ultrasound machine with a cost of \$83,161 and an interest rate of 6.53 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2014, are as follows:

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Fiscal Year Ending June 30	Amount
2015	\$ 18,801.08
2016	18,801.08
Total Minimum Payments	37,602.16
Less, Amount Representing Interest	3,388.32
Present Value of Minimum Payments	\$ 34,213.84

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors’ regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$12,500,380.46. The current portion of the compensated absences liability, \$1,250,038.05, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three fiscal years calculated as a percentage of those three years’ total compensated absences liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 192 retirees received postemployment healthcare benefits. The University provided required contributions of \$639,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of

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reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,142,000, which represents 1.22 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University’s annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the University’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 3,580,000
Amortization of Unfunded Actuarial Accrued Liability	1,979,000
Interest on Normal Cost and Amortization	<u>222,000</u>
Annual Required Contribution	5,781,000
Interest on Net OPEB Obligation	758,000
Adjustment to Annual Required Contribution	<u>(657,000)</u>
Annual OPEB Cost (Expense)	5,882,000
Contribution Toward the OPEB Cost	<u>(639,000)</u>
Increase in Net OPEB Obligation	5,243,000
Net OPEB Obligation, Beginning of Year	<u>18,950,000</u>
Net OPEB Obligation, End of Year	<u>\$ 24,193,000</u>

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011-12	\$ 6,268,000	11.5%	\$ 13,453,000
2012-13	6,303,000	12.8%	18,950,000
2013-14	5,882,000	10.9%	24,193,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$59,373,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$59,373,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$93,822,932 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 63.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded

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status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University's 2013-14 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

Component Units - Loans and Notes Payable. On May 20, 2010, TSI purchased a building and 7.71 acres of land adjacent to the University for \$17,408,190. TSI executed three loan and note agreements totaling \$17,279,294 on May 20, 2010, through its financing corporation, UNF TSI Investments, LLC. A summary of the long-term debt activity associated with the purchase is shown in the following table:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bank Note Payable in Monthly Installments of Principal and Interest at 8.3 Percent	\$ 10,373,357	\$	\$ 929,800	\$ 9,443,557	\$ 1,064,787
Promissory Note Payable in Monthly Installments of Principal and Interest at 4.7 Percent	719,736		367,437	352,299	352,299
Loan Payable to Foundation Payable in Full or in Part Prior to Maturity on May 20, 2021, at 4.5 Percent (1)	4,195,403	393,416		4,588,819	
Total	<u>\$ 15,288,496</u>	<u>\$ 393,416</u>	<u>\$ 1,297,237</u>	<u>\$ 14,384,675</u>	<u>\$ 1,417,086</u>

Note: (1) Pursuant to a Memorandum of Understanding entered into between TSI, UNF TSI Investments, LLC., and the University of North Florida Foundation, Inc., total loan funding to UNF TSI Investments, LLC., from the Foundation will not exceed \$4.8 million and TSI will be restricted from making any additional loans or otherwise pledging, collateralizing, or encumbering the property purchased or funding any capital projects as long as any portion of the loan remains unpaid.

Total future scheduled debt principal payments on the bank note and promissory note payable are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>
2015	\$ 1,417,086
2016	1,121,054
2017	1,375,802
2018	1,554,329
2019	1,750,047
2020-2021	2,577,538
Total	<u>\$9,795,856</u>

Loans and notes payable at June 30, 2014, for MOCA are as follows:

<u>Description</u>	<u>Current</u>	<u>Noncurrent</u>
Revolving line of credit (\$500,000) from University, noninterest bearing and payable on demand.	\$ 50,000	\$ 425,000
Revolving loan (\$423,779) from a member of the MOCA Board of Trustees, noninterest bearing and payable on demand. No payments are expected to be made in the next year.		423,779
Total	<u>\$ 50,000</u>	<u>\$ 848,779</u>

9. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and

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Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

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Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The University’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$2,699,768.82, \$2,749,273.06, and \$3,283,604.50, respectively, which were equal to the required contributions for each fiscal year.

There were 301 University participants in the Investment Plan during the 2013-14 fiscal year. The University’s contributions including employee contributions to the Investment Plan totaled \$959,351.24, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services’ Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement’s Web site (www.frs.myflorida.com).

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for eight or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.34 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s

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annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 808 University participants during the 2013-14 fiscal year. The University's contributions to the Program totaled \$3,579,851.71 and employee contributions totaled \$2,480,970.10 for the 2013-14 fiscal year.

10. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2014, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Elevated Parking Deck	\$ 9,600,000.00	\$ 1,883,205.23	\$ 7,716,794.77
Skinner Jones Hall Renovation	4,000,000.00	110,419.94	3,889,580.06
East Park Warehouse Renovations	3,000,258.34	200,258.34	2,800,000.00
Repurpose Aquatics Center	3,000,000.00	289,318.86	2,710,681.14
Club House and Pool Facility	7,993,890.00	7,501,106.61	492,783.39
Subtotal	27,594,148.34	9,984,308.98	17,609,839.36
Other Projects	3,177,438.22	2,513,022.82	664,415.40
Total	\$ 30,771,586.56	\$ 12,497,331.80	\$ 18,274,254.76

11. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2013-14 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named windstorm and flood losses through February 15, 2014, and increased to \$54 million starting February 16, 2014. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance

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organization plan under contract with the State. The State’s risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State’s group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 76,563,220.38
Research	4,485,521.14
Public Services	4,079,571.98
Academic Support	22,827,050.55
Student Services	19,449,097.11
Institutional Support	22,272,124.14
Operation and Maintenance of Plant	17,238,164.99
Scholarships, Fellowships, and Waivers	18,002,278.05
Depreciation	21,367,720.77
Auxiliary Enterprises	31,031,533.08
Total Operating Expenses	\$ 237,316,282.19

13. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity’s related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University’s Parking System, Housing System, Student Union, and Student Wellness Center represents identifiable activities for which one or more bonds are outstanding:

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Condensed Statement of Net Position

	Parking System	Housing System	Student Union	Student Wellness Center
Assets				
Current Assets	\$ 13,728,449.67	\$ 639,483.15	\$ 572,526.50	\$ 1,417,523.62
Capital Assets, Net	9,536,104.48	107,384,829.95	44,085,563.29	19,202,800.64
Other Noncurrent Assets		8,206,000.00	1,377,085.00	
Total Assets	23,264,554.15	116,230,313.10	46,035,174.79	20,620,324.26
Liabilities				
Current Liabilities	1,397,825.87	5,108,289.21	621,059.36	599,873.41
Noncurrent Liabilities	6,553,763.55	101,895,007.96	19,111,807.00	13,991,859.12
Total Liabilities	7,951,589.42	107,003,297.17	19,732,866.36	14,591,732.53
Net Position				
Net Investment in Capital Assets	2,536,104.48	2,990,099.95	24,528,756.29	4,775,941.52
Restricted for Debt Service		8,206,000.00	1,377,085.00	139,550.32
Restricted for Capital Projects	8,251,289.62			
Unrestricted	4,525,570.63	(1,969,084.02)	396,467.14	1,113,099.89
Total Net Position	\$ 15,312,964.73	\$ 9,227,015.93	\$ 26,302,308.43	\$ 6,028,591.73

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position**

	Parking System	Housing System	Student Union	Student Wellness Center
Operating Revenues	\$ 3,387,493.45	\$ 17,926,658.71	\$ 1,683,814.36	\$ 1,288,413.17
Depreciation Expense	(1,121,832.77)	(3,786,400.63)	(1,352,357.53)	(560,768.87)
Other Operating Expenses	(1,389,946.66)	(8,791,681.43)	(580,168.76)	(163,289.98)
Operating Income (Loss)	875,714.02	5,348,576.65	(248,711.93)	564,354.32
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	230,785.29	328,639.17	853,015.25	312,439.57
Interest Expense	(3,421.12)	(5,025,386.80)	(937,510.03)	(895,259.60)
Other Nonoperating Expense	(332,815.29)	(85,881.13)	(95,172.14)	(6,569.02)
Net Nonoperating Expenses	(105,451.12)	(4,782,628.76)	(179,666.92)	(589,389.05)
Increase (Decrease) in Net Position	770,262.90	565,947.89	(428,378.85)	(25,034.73)
Net Position, Beginning of Year	14,598,182.13	9,769,102.11	26,946,411.43	6,293,852.65
Adjustment to Beginning Net Position (1)	(55,480.30)	(1,108,034.07)	(215,724.15)	(240,226.19)
Net Position, Beginning of Year, as Restated	14,542,701.83	8,661,068.04	26,730,687.28	6,053,626.46
Net Position, End of Year	\$ 15,312,964.73	\$ 9,227,015.93	\$ 26,302,308.43	\$ 6,028,591.73

Note: (1) Adjustment to beginning net position resulting from implementation of GASB Statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred. See note 2 to the financial statements.

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Condensed Statement of Cash Flows

	Parking System	Housing System	Student Union	Student Wellness Center
Net Cash Provided (Used) by:				
Operating Activities	\$ (12,833.38)	\$ 9,531,756.44	\$ 1,093,504.79	\$ 1,440,314.01
Noncapital Financing Activities	(366,698.54)	(6,999,528.27)	300,810.99	(6,569.02)
Capital and Related Financing Activities	455,939.91	(7,990,667.59)	(1,362,510.03)	(1,056,285.93)
Investing Activities	(13,003,366.69)	129,684.12	(441,005.68)	(1,171,443.89)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,926,958.70)	(5,328,755.30)	(409,199.93)	(793,984.83)
Cash and Cash Equivalents, Beginning of Year	13,198,926.04	5,328,755.30	418,446.53	818,236.74
Cash and Cash Equivalents, End of Year	\$ 271,967.34	\$	\$ 9,246.60	\$ 24,251.91

Segment Information – Component Unit. The following financial information for the UNF TSI Investments, LLC, represents identifiable activities for which long-term indebtedness is outstanding and with a revenue stream pledged in support of the debt:

Condensed Statement of Net Position

	UNF TSI Investments, LLC
Assets	
Current Assets	\$ 43,545
Capital Assets, Net	15,058,085
Total Assets	15,101,630
Liabilities	
Current Liabilities	2,061,731
Noncurrent Liabilities	12,967,589
Total Liabilities	15,029,320
Net Assets	
Net Investment in Capital Assets	(601,101)
Unrestricted	673,411
Total Net Assets	\$ 72,310

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**Condensed Statement of Revenues, Expenses,
and Changes in Net Position**

	UNF TSI Investments, LLC
Operating Revenues	\$ 1,754,560
Depreciation Expense	(564,025)
Other Operating Expenses	(2,501)
Operating Income	1,188,034
Nonoperating Expenses:	
Interest Expense	(1,038,014)
Net Nonoperating Expenses	(1,038,014)
Increase in Net Position	150,020
Net Position, Beginning of Year	(77,710)
Net Position, End of Year	\$ 72,310

Condensed Statement of Cash Flows

	UNF TSI Investments, LLC
Net Cash Provided (Used) by:	
Noncapital Financing Activities	\$ 215,754.00
Capital and Related Financing Activities	(215,754.00)
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	
Cash and Cash Equivalents, End of Year	\$

UNF TSI Investments, LLC, records revenue for payments made by the tenant under an operating lease with an expiration date in 2020, and future minimum rents as of June 30, 2014, totaled \$12,247,149.

14. BLENDED COMPONENT UNIT

The University has one blended component unit as discussed in note 1. The following financial information is presented for the University's blended component unit:

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Condensed Statement of Net Position

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Assets:				
Prepaid Rent Receivable from University	\$ 80,139,899.97	\$	\$ (80,139,899.97)	\$
Note Receivable from Blended CU		9,613,000.00	(9,613,000.00)	
Other Current Assets	1,308,263.84	90,597,598.22	(999,333.11)	90,906,528.95
Capital Assets, Net	2,925,173.34	445,256,140.43		448,181,313.77
Other Noncurrent Assets	9,583,083.85	1,260,033.89		10,843,117.74
Total Assets	93,956,421.00	546,726,772.54	(90,752,233.08)	549,930,960.46
Liabilities:				
Prepaid Rent Payable to Blended CU		80,139,899.97	(80,139,899.97)	
Note Payable to University	9,613,000.00		(9,613,000.00)	
Other Current Liabilities	4,851,616.72	16,250,203.53	(999,333.11)	20,102,487.14
Noncurrent Liabilities	129,696,323.95	53,820,349.60		183,516,673.55
Total Liabilities	144,160,940.67	150,210,453.10	(90,752,233.08)	203,619,160.69
Net Position:				
Net Investment in Capital Assets	342,411.71	299,843,531.23		300,185,942.94
Restricted - Expendable		20,203,539.05		20,203,539.05
Unrestricted	(50,546,931.38)	76,469,249.16		25,922,317.78
Total Net Position	\$ (50,204,519.67)	\$ 396,516,319.44	\$	\$ 346,311,799.77

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position**

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Operating Revenues	\$ 9,618,531.00	\$ 113,954,505.30	\$ (9,588,531.58)	\$ 113,984,504.72
Depreciation Expense		(21,367,720.77)		(21,367,720.77)
Other Operating Expenses	(9,537,110.00)	(209,846,018.58)	3,434,567.16	(215,948,561.42)
Operating Income (Loss)	81,421.00	(117,259,234.05)	(6,153,964.42)	(123,331,777.47)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	81,138.85	127,523,346.40	(3,434,567.16)	124,169,918.09
Interest Expense		(6,899,293.40)		(6,899,293.40)
Other Nonoperating Expense		(13,358,901.50)	9,588,531.58	(3,770,369.92)
Net Nonoperating Revenues	81,138.85	107,265,151.50	6,153,964.42	113,500,254.77
Other Revenues, Expenses, Gains, and Losses		10,570,129.67		10,570,129.67
Increase in Net Position	162,559.85	576,047.12		738,606.97
Net Position, Beginning of Year	(48,987,841.00)	396,180,498.51		347,192,657.51
Adjustment to Beginning Net Position (1)	(1,379,238.52)	(240,226.19)		(1,619,464.71)
Net Position, Beginning of Year, as Restated	(50,367,079.52)	395,940,272.32		345,573,192.80
Net Position, End of Year	\$ (50,204,519.67)	\$ 396,516,319.44	\$	\$ 346,311,799.77

Note: (1) Adjustment to beginning net position resulting from implementation of GASB Statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred. See note 2 to the financial statements.

**UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Condensed Statement of Cash Flows

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ (508.00)	\$(103,257,933.52)	\$ 6,153,964.42	\$ (97,104,477.10)
Noncapital Financing Activities		124,020,662.06	(6,153,964.42)	117,866,697.64
Capital and Related Financing Activities	372,650.94	(21,567,715.43)		(21,195,064.49)
Investing Activities	64,006.00	1,930,554.42		1,994,560.42
Net Increase in Cash and Cash Equivalents	436,148.94	1,125,567.53		1,561,716.47
Cash and Cash Equivalents, Beginning of Year	79,867.60	106,744.43		186,612.03
Cash and Cash Equivalents, End of Year	\$ 516,016.54	\$ 1,232,311.96	\$	\$ 1,748,328.50

15. DISCRETELY PRESENTED COMPONENT UNITS

The University has three discretely presented component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	Direct-Support Organizations			Total
	University of North Florida Foundation, Inc.	The University of North Florida Training and Service Institute, Inc.	Museum of Contemporary Art Jacksonville, Inc.	
Assets:				
Current Assets	\$ 1,399,095	\$ 563,892	\$ 159,175	\$ 2,122,162
Capital Assets, Net		15,058,086	2,681,244	17,739,330
Other Noncurrent Assets	109,530,582	1,022,449	906,591	111,459,622
Total Assets	110,929,677	16,644,427	3,747,010	131,321,114
Liabilities:				
Current Liabilities	326,799	2,614,412	180,231	3,121,442
Noncurrent Liabilities	163,765	13,244,890	848,779	14,257,434
Total Liabilities	490,564	15,859,302	1,029,010	17,378,876
Net Position:				
Net Investment in Capital Assets		673,411	2,681,244	3,354,655
Restricted Nonexpendable	95,173,441		666,929	95,840,370
Restricted Expendable	14,355,917		240,533	14,596,450
Unrestricted	909,755	111,714	(870,706)	150,763
Total Net Position	\$ 110,439,113	\$ 785,125	\$ 2,718,000	\$ 113,942,238

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position**

	Direct-Support Organizations			Total
	University of North Florida Foundation, Inc.	The University of North Florida Training and Service Institute, Inc.	Museum of Contemporary Art Jacksonville, Inc.	
Operating Revenues	\$ 4,889,476	\$ 6,274,370	\$ 2,400,287	\$ 13,564,133
Depreciation Expense		(564,025)	(304,355)	(868,380)
Operating Expenses	<u>(10,009,333)</u>	<u>(4,745,922)</u>	<u>(1,886,124)</u>	<u>(16,641,379)</u>
Operating Income (Loss)	<u>(5,119,857)</u>	<u>964,423</u>	<u>209,808</u>	<u>(3,945,626)</u>
Net Nonoperating Revenues (Expenses):				
Nonoperating Revenues	11,889,036	105,194	59,123	12,053,353
Interest Expense		(1,038,014)		(1,038,014)
Other Nonoperating Expenses			(8,500)	(8,500)
Net Nonoperating Revenues (Expenses)	<u>11,889,036</u>	<u>(932,820)</u>	<u>50,623</u>	<u>11,006,839</u>
Additions to Permanent Endowments	<u>4,207,541</u>		<u>21,130</u>	<u>4,228,671</u>
Increase in Net Position	10,976,720	31,603	281,561	11,289,884
Net Position, Beginning of Year	<u>99,462,393</u>	<u>753,522</u>	<u>2,436,439</u>	<u>102,652,354</u>
Net Position, End of Year	<u>\$ 110,439,113</u>	<u>\$ 785,125</u>	<u>\$ 2,718,000</u>	<u>\$ 113,942,238</u>

16. SUBSEQUENT EVENT

In October 2014, the Financing Corporation purchased an apartment complex near campus to be used by the University as additional student housing. The University will lease the apartment complex from the Financing Corporation until the lease expires 20 years after the commencement date. Annual lease payments under the agreement from the University to the Financing Corporation total \$1,723,265.52. The purchase price was \$30,500,000 and was financed, in part, through a loan with a local financial institution. The loan principal was \$26,200,000 with an interest rate of 2.87 percent per annum and a maturity date of October 1, 2034.

**UNIVERSITY OF NORTH FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 37,548,000	\$ 37,548,000	0%	\$ 82,862,861	45.3%
7/1/2011	-	61,288,000	61,288,000	0%	90,607,006	67.6%
7/1/2013	-	59,373,000	59,373,000	0%	93,822,932	63.3%

- Notes:
- (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.
 - (2) The July 1, 2013, unfunded actuarial accrued liability of \$59,373,000 was less than the July 1, 2011, liability of \$61,288,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

**UNIVERSITY OF NORTH FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF RECEIPTS AND EXPENDITURES OF
CITY OF JACKSONVILLE GRANT FUNDS –
BUDGET AND ACTUAL
JUNE 30, 2014**

**Jacksonville Commitment Program (2009-2014 Scholarship Program)
Contract Administered by the Recreation and Community Services Department**

Receipt of City Funds

Contract Amount (1)	\$ 1,176,750.00
Amount Received in 2008-09 Fiscal Year	(69,984.00)
Amount Received in 2009-10 Fiscal Year	(175,198.00)
Amount Received in 2010-11 Fiscal Year	(160,834.00)
Amount Received in 2011-12 Fiscal Year (2)	(523,788.00)
Amount Received in 2012-13 Fiscal Year	(201,602.00)
Amount Received in 2013-14 Fiscal Year (3)	<u>(45,344.00)</u>
Amount Remaining to be Distributed as of June 30, 2014	<u>\$ 0.00</u>

Expenditures of City Funds

Expenditure Category	Budget (1)	2008-09 Fiscal Year Expenditures	2009-10 Fiscal Year Expenditures (4)	2010-11 Fiscal Year Expenditures	2011-12 Fiscal Year Expenditures	2012-13 Fiscal Year Expenditures	2013-14 Fiscal Year Expenditures (3)	Remaining Balance
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Scholarships

Financial Aid Disbursements	<u>\$ 1,176,750.00</u>	<u>\$ 183,681.03</u>	<u>\$ 61,500.97</u>	<u>\$ 160,834.00</u>	<u>\$ 523,788.00</u>	<u>\$ 201,602.00</u>	<u>\$ 45,344.00</u>	<u>\$ 0.00</u>
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- Notes: (1) Per City of Jacksonville Contract Number 9367 dated May 28, 2009, the original budget of \$523,525 was revised by Amendment Number One dated May 14, 2010, increasing the contract amount by \$423,525 and revised by Amendment Number Two dated September 30, 2011, increasing the contract amount by \$329,700. The contract amount was subsequently reduced by \$100,000 on November 21, 2011, for funding initially intended for purposes other than financial aid disbursements.
- (2) Revenues reported per the General Ledger as of June 30, 2012, totaled \$677,365. This amount was overstated by \$153,577 because of an error in recording revenues and receivables at June 30, 2012, that was corrected in the 2012-13 fiscal year.
- (3) Receipts and expenditures for the 2013-14 fiscal year totaled \$55,753; however, \$10,409 of this amount was for students that transferred from other institutions and were not considered receipts and expenditures of the University's Jacksonville Commitment Program budget.
- (4) 2009-10 fiscal year expenditures of \$174,299 were reduced by \$112,798.03, which represented amounts reported in the prior fiscal year that were subsequently disallowed by the grantor.

**UNIVERSITY OF NORTH FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF RECEIPTS AND EXPENDITURES OF
CITY OF JACKSONVILLE GRANT FUNDS –
BUDGET AND ACTUAL (CONTINUED)
JUNE 30, 2014**

**Small Business Development Center (2012-13 FY Grant)
Contract Administered by the City of Jacksonville Office of Economic Development**

Receipts of City Funds

Amount of Award (Per City of Jacksonville Budget)	\$ 98,940.00
Amount Received in 2012-13 Fiscal Year	(49,470.00)
Amount Received in 2013-14 Fiscal Year	<u>(49,470.00)</u>
Amount Remaining to be Distributed as of June 30, 2014	<u>\$ 0.00</u>

Expenditures of City Funds

Expenditure Category	City of Jacksonville Grant Budget	University Grant Budget	2012-13 Fiscal Year Expenditures	2013-14 Fiscal Year Expenditures	Carryforward
Compensation					
Salaries and Wages:					
Administrative and Professional	(1) \$ 80,590.00	\$ 50,247.00	\$ 36,427.75	\$ 12,765.50	\$ 1,053.75
USPS		9,648.00	7,826.77	2,663.61	(842.38)
USPS Overtime			165.59	45.78	(211.37)
Total Salaries and Wages		<u>59,895.00</u>	<u>44,420.11</u>	<u>15,474.89</u>	<u>0.00</u>
Employee Benefits:					
Fringe Chargeback Expense		20,695.00	14,556.15	5,020.37	1,118.48
ORSP Leave Allowance			865.67	252.81	(1,118.48)
Total Employee Benefits	(1)	<u>20,695.00</u>	<u>15,421.82</u>	<u>5,273.18</u>	<u>0.00</u>
Supplies					
Office Supplies - ORSP Office Materials and Supplies	500.00	500.00	500.00		0.00
Printing - ORSP Printing Charges	2,250.00	2,250.00	2,250.00		0.00
Travel					
ORSP In State Travel	2,695.00	2,695.00	1,430.40	1,264.60	0.00
Other					
ORSP Facilities and Admin Costs (Indirect Cost)	12,905.00	12,905.00	9,603.36	3,301.64	0.00
Total Expenditures	\$ 98,940.00	\$ 98,940.00	\$ 73,625.69	\$ 25,314.31	\$ 0.00

Note: (1) Salaries, including fringe benefits, were reported as a single line item in the approved program budget. However, these categories are reported in the University's budgetary accounts as separate items.

**UNIVERSITY OF NORTH FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF RECEIPTS AND EXPENDITURES OF
CITY OF JACKSONVILLE GRANT FUNDS –
BUDGET AND ACTUAL (CONTINUED)
JUNE 30, 2014**

**Small Business Development Center (2013-14 FY Grant)
Contract Administered by the City of Jacksonville Office of Economic Development**

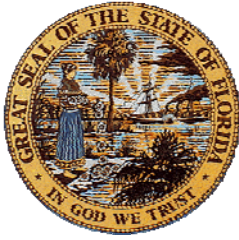
Receipts of City Funds

Amount of Award (Per City of Jacksonville Budget)	\$ 98,940.00
Amount Received in 2013-14 Fiscal Year	<u>(49,470.00)</u>
Amount Remaining to be Distributed as of June 30, 2014	<u>\$ 49,470.00</u>

Expenditures of City Funds

Expenditure Category	City of Jacksonville Grant Budget	University Grant Budget	2013-14 Fiscal Year Expenditures	Carryforward
Compensation				
Salaries and Wages:				
Administrative and Professional	(1) \$ 80,590.00	\$ 50,247.00	\$ 39,738.31	\$ 10,508.69
USPS		9,648.00	10,182.18	(534.18)
Bonus			384.00	(384.00)
Total Salaries and Wages		<u>59,895.00</u>	<u>50,304.49</u>	<u>9,590.51</u>
Employee Benefits:				
Fringe Chargeback Expense		19,690.00	14,588.64	5,101.36
ORSP Leave Allowance		1,005.00	864.54	140.46
Total Employee Benefits	(1)	<u>20,695.00</u>	<u>15,453.18</u>	<u>5,241.82</u>
Supplies				
Office Supplies - ORSP Office Materials and Supplies	500.00	500.00	477.97	22.03
Printing - ORSP Printing Charges	2,250.00	2,250.00	2,250.00	0.00
Travel				
ORSP In State Travel	2,695.00	2,695.00	2,560.37	134.63
Other				
ORSP Facilities and Admin Costs (Indirect Cost)	12,905.00	12,905.00	10,656.91	2,248.09
Total Expenditures	<u>\$ 98,940.00</u>	<u>\$ 98,940.00</u>	<u>\$ 81,702.92</u>	<u>\$ 17,237.08</u>

Note: (1) Salaries, including fringe benefits, were reported as a single line item in the approved program budget. However, these categories are reported in the University's budgetary accounts as separate items.



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of North Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 13, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to University management in our operational audit report No. 2015-136.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 13, 2015

PRIOR AUDIT FOLLOW-UP

We reported on whether the University had taken corrective action for finding No. 1 in our report No. 2014-155 in our operational audit report No. 2015-136.